

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

INKSTER HOUSING COMMISSION

Financial Statements

December 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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Inkster Housing Commission
4500 Inkster Rd.
Inkster, MI 48141

Tony L. Love, Executive Director

As management of the Inkster Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Inkster Housing Commission's financial activities for the FYE 12/31/05. This discussion and analysis letter of the Inkster Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Overview of the Financial Statements

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit-reporting package.

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Inkster Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing

Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. The Housing Commission does not own these units. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 12/31/05:

	<u>FYE</u> <u>12/31/05</u>	<u>FYE</u> <u>12/31/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Public Housing Operating Subsidy	2,639,252	2,845,048	(205,796)	-7.23%
Capital Fund Program Grants	1,575,183	2,715,868	(1,140,685)	-42.00%
Sec. 8 Voucher	<u>3,168,895</u>	<u>1,851,869</u>	<u>1,317,026</u>	<u>71.12%</u>
Total	7,383,330	7,412,785	(29,455)	-0.40%

The subsidy for Public Housing decreased due to the HUD pro-ration factor for 2005. If subsidy had been paid in both years at full eligibility, we would have received more subsidies in 2005 than in 2004. However, 2004 subsidy was paid at 98.1% of full eligibility while 2005 subsidy was paid at only 88.8% of full eligibility. The pro-ration factor cost the Housing Commission \$55,103 in 2004 while the cost for 2005 was \$332,879.

The decrease in Capital Fund Grants was due to HUD's formula allocation being less during 2005 and escrowing of funds for

expenses associated with start-up cost of the Fannie-Mae Loan.

The subsidy for Sec. 8 Voucher increased due to the addition of new units. We were awarded two opt-out projects in 2004, totaling 196 units. This almost doubled our program. The 2004 subsidy reflected only 6 months of increased subsidy, while we received 12 months of increased subsidy during 2005.

The following represents changes in the Balance Sheet:

	<u>FYE</u> <u>12/31/05</u>	<u>FYE</u> <u>12/31/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Cash & Investments	2,481,574	1,477,122	1,004,452	68.00%
Total Current Assets	2,673,090	1,737,883	935,207	53.81%
Fixed Assets, Net of Depreciation	12,300,074	11,615,796	684,278	5.89%
Total Liabilities	527,011	524,986	2,025	0.38%
Total Equity/Net Assets	14,446,153	12,828,693	1,617,460	12.61%

Cash and Investments increased substantially due mainly to two factors:

1. Due to changes in the way HUD disburses Sec. 8 Voucher funds for new increments. HUD now provides full funding for new increments at 100% of Budget Authority from day one of the new increment. This is a great change from the past when HUD provided subsidy based on an anticipated lease-up schedule, so that the Housing Commission would receive subsidy in accordance with the HAP dollars being spent. That is no longer the case, and the result is that the Housing Commission received substantially more subsidy than it used during 2005, resulting in both excess cash and vastly increased equity.
2. Cash also increased in the Public Housing Program in proportion to the operating income (excluding depreciation charges) posted by the Public Housing Program.

Total Current Assets increased for the same reasons as stated above, with the exception of a decrease in accounts receivable, most notably HUD accounts receivable.

Fixed Assets increased by \$1,372,390; this increase represents several capital projects funded through the Capital Fund Programs (details follow later in this report). Although Fixed Assets increased by \$1,342,390, this was partially offset by

depreciation charges of \$688,112, resulting in the net increase stated in the above table.

Total Liabilities remained flat.

Total Net Assets is comprised of two components: Invested in Capital Assets, which mirrors the increase in Fixed Assets, Net of Depreciation as explained above. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure increased due to two factors:

1. The Operating Income generated by the Public Housing Program for FYE 12/31/05 as described above; and
2. The HUD-prescribed accounting rule change for Sec. 8 Voucher programs per PIH Notice #2006-03. This notice instructs PHAs to treat excess HAP cash at the year-end as equity instead of a liability. This is a fundamental change from past procedures.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE</u> <u>12/31/05</u>	<u>FYE</u> <u>12/31/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues :				
Tenant Revenue	968,038	1,020,643	(52,605)	-5.2%
Other Revenue	<u>186,170</u>	<u>345,962</u>	<u>(159,792)</u>	-46.2%
Total PHA generated Revenue	1,154,208	1,366,605	(212,397)	-15.5%
Operating Subsidies	6,043,061	5,191,911	851,150	16.4%
Capital Grants	<u>1,340,269</u>	<u>2,243,282</u>	<u>(903,013)</u>	-40.3%
Total Revenue	8,537,538	8,801,798	(264,260)	-3.0%
Expenses :				
Administrative	1,283,386	1,268,558	14,828	1.2%
Tenant Services	54,400	31,615	22,785	72.1%
Utilities	835,647	809,051	26,596	3.3%
Maintenance	1,151,648	1,418,483	(266,835)	-18.8%
Protective Services	228,736	224,428	4,308	1.9%
General	460,199	500,656	(40,457)	-8.1%
Casualty Losses	6,225		6,225	
Housing Assistance	2,259,132	1,643,429	615,703	37.5%

Payments				
Depreciation	688,112	585,222	102,890	17.6%
Total Expenses	6,967,485	6,481,442	486,043	7.5%
Net Increase (Decrease)	1,570,053	2,320,356		

Revenues:

Inkster Housing Commission's primary revenue sources are subsidies and grants received by HUD. For FYE 12/31/05, revenue generated by the Commission accounted for \$1,154,208 (or 13% of total revenue), while HUD contributions accounted for \$7,383,330 (or 87% of total revenue). Tenant revenue decreased due to a decreased lease-up rate in 2005 compared to 2004. Investment Income increased due to rising interest rates. Other income decreased because of two one-time only other income adjustments posted in 2004. However, when excluding the effect of these one-time adjustments, other income remained stable.

Expenses:

Total Expenses for FYE 12/31/04 were \$6,481,442 while for FYE 12/31/05 the total was \$6,967,485. This represents a 7.5% increase in our Operating Costs. However, a large portion of this increase belongs to the Sec. 8 Voucher program HAP costs due to the increased number of units leased due to the new increments. If HAP is eliminated from the analysis, our Operating expenses actually decreased by \$129,660 (a 2.7% decrease).

Budget Analysis:

A Low Rent Public Housing Operating Budget for fye 12/31/05 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Entity-Wide Operational Highlights:

The Inkster Housing Commission provided the following housing

for low- income elderly and low-income families:

	<u>FYE</u> 12/31/05	<u>FYE</u> 12/31/04
Low Rent Public Housing	821	821
Sec. 8 Voucher	436	436

During FYE 12/31/05, Inkster Housing Commission (IHC) maintained a lease-up rate (as adjusted for on-schedule modernization) of 78.4% in its Public Housing Program and a lease-up rate of 92.6% in its Section 8 program. These lease-up rates are under the levels set by HUD guidelines. The Section 8 Program received additional housing vouchers through the opt-out program. The Section 8 waiting list was opened in October 2005 and accepted over 3,000 applications from families. Through a "Lottery System" families are currently being screened for eligibility and issued housing vouchers to increase the lease-up rate. Many of the families that are interviewed during the screening process are determined to be ineligible due to non-preference status. If a family is determined to be ineligible, additional families must be notified and screened for eligibility, which negatively impacted the lease-up during 2005 in the Section 8 Program. The Section 8 Staff is aggressively notifying, screening, briefing and issuing housing vouchers in an attempt to lease-up the Section 8 Program during 2006.

The Public Housing Program continued to experience difficulties with retaining renters in place for a full lease term (12-months). During 2005, staff screened and offered families' renovated apartments, as new tenants. However, many tenants during the same period of time moved from public housing without giving notice to management. The net result was a decrease in the occupancy rate. In an attempt to increase the occupancy rate in Public Housing, staff has begun to collect outstanding rent balances from former tenants through the Courts by garnishments. IHC feels that wage garnishments of former tenants will send a message to tenants that a renter will not be able to "skip-out" of their lease and will be held accountable for their actions, assuming that the renter is employed and remains in the State of Michigan. IHC has entered in an Energy Performance Contract with Honeywell, Inc. in the amount of \$6,324,831. The scope work will reduce tenants' utilities bills once the project is completed and tenants are trained to maximize the usage of the energy efficient components. We expect to retain low-income families by offering affordable housing and manageable utilities cost. Lastly, IHC is in the process of securing a Fannie Mae loan through the federal

government in order to finance improvements to the public housing units owned by the Inkster Housing Commission. Once the loan is approved, the Inkster Housing Commission would be obligated to repay for these renovations and improvements from a portion of the Capital Fund Program grant received annually from the United States Department of Housing and Urban Development. After the renovation is completed families on the waiting list will be offered apartments for lease and eliminating the current vacancy rate.

During FYE 12/31/05, our Capital Fund Program work projects included:

- Senior development: We completed the overhaul of the HVAC system in our high-rise. A total of \$580,900 was spent on this project in 2005; the total cost of the project was \$1,754,650.
- Public Housing Developments: The main improvement activities were roofing upgrades and replacements; siding upgrades; exterior brick upgrades; tree removal; and vacant unit rehab.

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the federal budget than by local economic conditions. The reduction of the federal budget for housing programs will significantly affect the Public Housing programs.

The Housing Commission is very concerned about the effect of the Project-Based Management and Accounting requirements on a Commission of our size. We feel that the threshold of 250 units is too low to impose Project-Based Management and Accounting. After attending training, we feel that Project Based Management does make sense at larger authorities (1,000+ units) with newer housing stock. In-addition it will cost IHC more to operate its Public Housing Program on a decentralized basis than the agency-wide basis as we operate today. We will be less efficient. Inevitably, cuts in services to our residents will have to be made.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally

in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Tony L. Love, Executive Director
Inkster Housing Commission
4500 Inkster Rd.
Inkster, MI 48141

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax(989) 642-2092

Board of Commissioners
Inkster Housing Commission
4500 Inkster Road
Inkster, Michigan 48141

Independent Auditor's Report

I have audited the Business Type Activities of the Inkster Housing Commission as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Inkster Housing Commission as of December 31, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

August 4, 2006

INKSTER HOUSING COMMISSION
Combined Statement of Net Assets
December 31, 2005

ASSETS

C-3015

CURRENT ASSETS

Cash	\$ 2,245,195
Accounts Receivable	82,187
Investments	236,379
Prepaid Expenses	<u>109,329</u>

Total Current Assets	\$ 2,673,090
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NON CURRENT ASSETS

Land	\$ 1,891,187
Buildings	21,810,280
Furniture, Equipment- Dwellings	487,776
Furniture, Equipment- Administrative	599,435
Leasehold Improvements	9,792,813
Accumulated Depreciation	<u>(22,281,417)</u>

Total Non Current Assets	<u>12,300,074</u>
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<u>TOTAL ASSETS</u>	\$ <u>14,973,164</u>
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INKSTER HOUSING COMMISSION
Combined Statement of Net Assets
December 31, 2005

LIABILITIES & NET ASSETS

C-3015

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	76,576	
Accrued Liabilities		181,347	
Accrued Compensated Absences		7,246	
Tenants Security Deposit		94,318	
Accounts Payable- Other Governments		2,489	
Deferred Revenue		<u>99,819</u>	
<u>Total Current Liabilities</u>	\$		461,795

NON CURRENT LIABILITIES

Accrued Compensated Absences		<u>65,216</u>	
<u>Total Liabilities</u>	\$		527,011

NET ASSETS:

Investment in Fixed Assets net of Related Debt	\$	12,300,074	
Retained Earnings		<u>2,146,079</u>	
<u>Total Net Assets</u>			<u>14,446,153</u>

<u>TOTAL LIABILITIES & NET ASSETS</u>	\$	<u>14,973,164</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements

INKSTER HOUSING COMMISSION
Combined Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended December 31, 2005

OPERATING REVENUE

Tenant Rental Revenue	\$ 866,045	
Tenant Revenue-Other	101,993	
HUD Grants	6,051,547	
Interest Income	47,769	
Other Income	<u>138,401</u>	
<u>Total Operating Revenue</u>		\$ 7,205,755

OPERATING EXPENSES

Administrative	\$ 1,283,386	
Tenant Services	54,400	
Utility Expenses	836,471	
Ordinary Maintenance	1,151,648	
Protective Services	228,736	
General Expenses	<u>460,199</u>	
<u>Total Operating Expenses</u>		<u>4,014,840</u>
<u>Operating Income (Loss)</u>		\$ 3,190,915

NONOPERATING REVENUE (EXPENSES)

Housing Assistance Payments	\$ (2,259,132)	
Casualty Losses	(6,225)	
Depreciation Expenses	<u>(688,112)</u>	
<u>Total NonOperating Revenue (Expenses)</u>		<u>(2,953,469)</u>
<u>Income (Loss) before Contributions</u>		\$ 237,446

CAPITAL CONTRIBUTIONS

		<u>1,340,269</u>
<u>Changes in Net Assets</u>		\$ 1,577,715
Total Net Assets- Beginning	\$ 12,828,693	
Prior year changes in HUD funding	<u>39,745</u>	<u>12,868,438</u>
 Total Net Assets- Ending		 \$ <u>14,446,153</u>

The Accompanying Notes are an Integral part of the Financial Statements

INKSTER HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended December 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 978,238
Payments to Suppliers	(5,242,179)
Payments to Employees	(940,507)
HUD Grants	7,391,816
Other Receipts (Payments)	<u>186,170</u>
Net Cash Provided (Used) by Operating Activities	\$ 2,373,538

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(1,372,390)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,001,148
Balance- Beginning of Year	<u>1,244,047</u>
Balance- End of Year	\$ <u>2,245,195</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 1,577,715
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	688,112
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	89,977
Investments	3,304
Prepaid Expenses	20,732
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(78,387)
Accrued Liabilities	63,128
Compensated Absences	(76,669)
Security Deposits	(6,744)
Accounts Payable- Other Governments	(9,052)
Deferred Revenue	<u>1,422</u>
Net Cash Provided by Operating Activities	\$ <u>2,273,538</u>

The Accompanying Notes are an Integral part of the Financial Statements

INKSTER HOUSING COMMISSION
Notes to Financial Statements
December 31, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Inkster Housing Commission, Inkster, Michigan, (Commission) was created by ordinance of the city of Inkster. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 27-1-6	Low rent program	781 units
MI 28-V027	Section 8 Vouchers	517 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits & investments are stated at cost which approximates market value.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Notes to Financial Statements- continued

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 2,012,858
Petty Cash	250
Money Market Accounts	<u>232,087</u>
Financial Statement Total	<u>\$ 2,245,195</u>

Investments:

Certificates of Deposit	<u>\$ 236,379</u>
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Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

Notes to Financial Statements- continued

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking					
A/C's	\$ 2,012,858	\$	\$	\$ 2,012,858	\$ 2,012,858
Petty Cash	250			250	250
Money Market	<u>232,087</u>			<u>232,087</u>	<u>232,087</u>
Total Cash	\$ <u>2,245,195</u>	\$	\$	\$ <u>2,245,195</u>	\$ <u>2,245,195</u>
Investments:					
C/D's	\$ <u>236,379</u>	\$	\$	\$ <u>236,379</u>	\$ <u>236,379</u>

Note 3: Accounts Receivable

Accounts Receivable (net) consist of the following:

Accounts Receivable- Tenants	\$ 22,099
Less- Allowance for Doubtful Accounts	(20,960)
Accounts Receivable- Tenants fraud	14,520
Less- Allowance for Doubtful Accounts	(12,000)
Account Receivable-HUD	48,523
Account Receivable- Other Governments	<u>30,005</u>
Accounts Receivable (net)	\$ <u>82,187</u>

Note 4: Prepaid Expenses

Prepaid Expenses consist of insurance premiums covering assets beyond the date of this audit, and health benefits paid for coverage after year end. The following represents prepaid expenses:

Prepaid Insurance Expense	\$ <u>109,329</u>
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Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 1,891,187	\$	\$	\$ 1,891,187
Buildings	21,800,987	9,293		21,810,280
Furniture & Equipment-Dwellings	485,656	2,120		487,776
Furniture & Equipment-Admin	590,018	9,417		599,435
Leasehold Improvements	<u>8,441,253</u>	<u>1,351,560</u>		<u>9,792,813</u>
	\$33,209,101	\$1,372,390	\$	\$34,581,491
Less: Acc Depreciation	<u>21,593,305</u>	<u>688,112</u>		<u>22,281,417</u>
	\$ <u>11,615,796</u>	\$ <u>684,278</u>	\$	\$ <u>12,300,074</u>

Notes to Financial Statements, continued

Note 6: Accrued Liabilities

Accrued liabilities consist of the following:

Accrued Payroll & Payroll Taxes	\$ 42,115
Accrued Utilities	<u>139,232</u>
Total Accrued Liabilities	\$ <u>181,347</u>

Note 7: Deferred Revenue

Deferred Revenue consists of the following:

Tenants prepaid rent	\$ 9,085
Operational funds withdrawn from Capital Funds	<u>90,734</u>
Total Deferred Revenue	\$ <u>99,819</u>

Note 8: Retirement.

The Commission has a non mandatory, Defined Benefit Plan (Plan), for all eligible employees. The Plan calls for 3% of annual wage contribution by all participants. Eligibility requirements are as follows: Full time employees, one year service. Plan assets and funding statistics are reported under a separate audit report.

Note 9: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 63,136,203
General Liability	5,000,000
Errors & Omissions	1,000,000
Automobile	300,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

Note 10: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 11: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Inkster Housing Commission

31-Dec-05

MI027

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	Emergency Food and Shelter National Board Program 97.24	TOTAL
Line Item #						
	ASSETS:					
	CURRENT ASSETS:					
	Cash:					
111	Cash - unrestricted	1,450,402	700,475	-	-	2,150,877
112	Cash - restricted - modernization and development	-			-	-
113	Cash - other restricted					-
114	Cash - tenant security deposits	94,318			-	94,318
100	Total cash	1,544,720	700,475	-	-	2,245,195
	Accounts and notes receivables:					
121	Accounts receivable - PHA projects					-
122	Accounts receivable - HUD other projects	-		48,523		48,523
124	Accounts receivable - other government					-
125	Accounts receivable - miscellaneous	30,005				30,005
126	Accounts receivable- tenants - dwelling rents	22,099				22,099
126.1	Allowance for doubtful accounts - dwelling rents	(20,960)				(20,960)
126.2	Allowance for doubtful accounts - other					-
127	Notes and mortgages receivable- current					-
128	Fraud recovery	14,520				14,520
128.1	Allowance for doubtful accounts - fraud	(12,000)				(12,000)
129	Accrued interest receivable					-
120	Total receivables, net of allowances for doubtful accounts	33,664	-	48,523	-	82,187
	Current investments					-
131	Investments - unrestricted	236,379				236,379
132	Investments - restricted					-
	Prepaid expenses and other assets					-
142	Prepaid expenses and other assets	109,329				109,329
143	Inventories	-				-
143.1	Allowance for obsolete inventories					-
144	Interprogram - due from	97,698	-	125,390	961	224,049
146	Amounts to be provided					-
150	TOTAL CURRENT ASSETS	2,021,790	700,475	173,913	961	2,897,139
	NONCURRENT ASSETS:					
	Fixed assets:					
161	Land	1,891,187				1,891,187
162	Buildings	21,810,280				21,810,280
163	Furniture, equipment & machinery - dwellings	487,776				487,776
164	Furniture, equipment & machinery - administration	542,634	30,318	26,483		599,435
165	Leasehold improvements	6,233,922		3,558,891		9,792,813
166	Accumulated depreciation	(22,075,199)	(23,810)	(182,408)		(22,281,417)
160	Total fixed assets, net of accumulated depreciation	8,890,600	6,508	3,402,966	-	12,300,074
171	Notes and mortgages receivable - non-current					-
176	Investment in joint ventures					-
180	TOTAL NONCURRENT ASSETS	8,890,600	6,508	3,402,966	-	12,300,074
190	TOTAL ASSETS	10,912,390	706,983	3,576,879	961	15,197,213

	LIABILITIES AND EQUITY					
	LIABILITIES:					
	CURRENT LIABILITIES					
311	Bank overdraft					-
312	Accounts payable ≤ 90 days	36,920	5,000	34,656		76,576
313	Accounts payable > 90 days past due					-
321	Accrued wage/payroll taxes payable	42,115				42,115
322	Accrued compensated absences	7,246				7,246
324	Accrued contingency liability					-
325	Accrued interest payable					-
331	Accounts payable - HUD PHA programs		-			-
332	Accounts Payable - PHA Projects					-
333	Accounts payable - other government	2,489	-	-		2,489
341	Tenant security deposits	94,318				94,318
342	Deferred revenues	9,085		90,734		99,819
343	Current portion of Long-Term debt - capital projects					-
344	Current portion of Long-Term debt - operating borrowings					-
345	Other current liabilities	-				-
346	Accrued liabilities - other	138,271	-		961	139,232
347	Inter-program - due to	125,390	50,136	48,523		224,049
310	TOTAL CURRENT LIABILITIES	455,834	55,136	173,913	961	685,844
	NONCURRENT LIABILITIES					
351	Long-term debt, net of current- capital projects					-
352	Long-term debt, net of current- operating borrowings					-
353	Noncurrent liabilities- other	65,216				65,216
350	TOTAL NONCURRENT LIABILITIES	65,216	-	-	-	65,216
300	TOTAL LIABILITIES	521,050	55,136	173,913	961	751,060
	EQUITY:					
501	Investment in general fixed assets					-
	Contributed Capital:					
502	Project notes (HUD)					-
503	Long-term debt - HUD guaranteed	-				-
504	Net HUD PHA contributions	-				-
505	Other HUD contributions					-
508.01	Net Assets invested in Capital Assets	8,890,600	6,508	3,402,966		12,300,074
508	Total contributed capital	8,890,600	6,508	3,402,966	-	12,300,074
	Reserved fund balance:					
509	Reserved for operating activities					-
510	Reserved for capital activities					-
511	Total reserved fund balance	-	-	-		-
512	Undesignated fund balance/retained earnings	1,500,740	645,339	-	-	2,146,079
513	TOTAL EQUITY	10,391,340	651,847	3,402,966	-	14,446,153
600	TOTAL LIABILITIES AND EQUITY	10,912,390	706,983	3,576,879	961	15,197,213

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Inkster Housing Commission

31-Dec-05

MI027

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	Emergency Food and Shelter National Board Program 97.24	TOTAL
Line Item #				-		
	REVENUE:	-	-			
703	Net tenant rental revenue	866,045				866,045
704	Tenant revenue - other	101,993				101,993
705	Total tenant revenue	968,038	-	-		968,038
706	HUD PHA grants	2,639,252	3,168,895	1,575,183	8,486	7,391,816
708	Other government grants					-
711	Investment income - unrestricted	31,566	16,203	-		47,769
712	Mortgage interest income					-
714	Fraud recovery					-
715	Other revenue	137,757	644	-		138,401
716	Gain or loss on the sale of fixed assets		-			-
720	Investment income - restricted					-
700	TOTAL REVENUE	3,776,613	3,185,742	1,575,183	8,486	8,546,024
	EXPENSES:					
	Administrative					
911	Administrative salaries	385,472	216,000	-		601,472
912	Auditing fees	8,025				8,025
913	Outside management fees					-
914	Compensated absences	58,187				58,187
915	Employee benefit contributions- administrative	184,136	72,000			256,136
916	Other operating- administrative	314,338	39,050	6,178		359,566
	Tenant services					
921	Tenant services - salaries	30,804				30,804
922	Relocation costs	-				-
923	Employee benefit contributions- tenant services	13,897				13,897
924	Tenant services - other	7,699			2,000	9,699
	Utilities					
931	Water	264,532				264,532
932	Electricity	219,036			6,486	225,522
933	Gas	346,417				346,417
934	Fuel					-
935	Labor					-
937	Employee benefit contributions- utilities					-
938	Other utilities expense	-				-
	Ordinary maintenance & operation					
941	Ordinary maintenance and operations - labor	308,231				308,231
942	Ordinary maintenance and operations - materials & other	115,957				115,957
943	Ordinary maintenance and operations - contract costs	578,066		-		578,066
945	Employee benefit contributions- ordinary maintenance	149,394				149,394
	Protective services					
951	Protective services - labor					-

INKSTER HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3015 Operating Subsidies	\$ <u>2,639,252</u>
* <u>CFDA 14.156 Housing Assistance Programs</u>	
C-3099V Section 8 Rental Vouchers	\$ <u>3,168,895</u>
* <u>CFDA 14.872 Capital Funds Projects</u>	
C-3015 Capital Funds Projects	\$ <u>1,575,183</u>

Department of Homeland Security

CFDA 97.24 Emergency Food & Shelter National Board Program

C-3015 Grant Program XXIII	\$ <u>8,486</u>
	\$ <u>7,391,816</u>

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Schedule of Federal Awards, continued

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 63,136,203
General Liability	5,000,000
Errors & Omissions	1,000,000
Automobile	300,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

INKSTER HOUSING COMMISSION
Status of Prior Audit Findings
December 31, 2005

The prior audit of the Inkster Housing Commission for the period ended December 31, 2004, contained two audit findings; the following represents the corrective action taken by the Commission:

Finding 04-1 Tenant Accounting Discrepancies-

Low Rent- Several issues from the previous audit resolved; however, re-exams still a problem, see current finding.

Finding 04-2 Tenant Accounting Discrepancies-

Sec 8- Previous audit findings cleared satisfactorily.

INKSTER HOUSING COMMISSION
Report on Compliance Applicable with Requirements to
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
December 31, 2005

Compliance

I have audited the compliance of Inkster Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. Inkster Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Inkster Housing Commission's management. My responsibility is to express an opinion on Inkster Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Inkster Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Inkster Housing Commission's compliance with those requirements.

As described in the following findings in the accompanying schedule of findings and questioned costs, the Commission failed to comply with one or more of the following compliance requirements: Activities allowed or unallowed, Allowable Costs/cost Principles, Cash Management, Davis-Bacon Act, Eligibility, Procurement, Reporting, or other compliance matters. Compliance with such requirements is necessary, in my opinion, for the Commission to comply with the requirements applicable to that program. The following programs, findings and compliance matters are detailed in the schedule of findings and questioned cost:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Low Rent:		
Tenant Accounting Discrepancies	05-1	Eligibility
Emergency Food & Shelter Program:		
Unauthorized Reimbursements	05-2	Allowable Cost

In my opinion, except for the noncompliance described in the preceding paragraph, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control over Compliance

The management of Inkster Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Inkster Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as referred to above.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

August 4, 2006

INKSTER HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
December 31, 2005

I have audited the financial statements of Inkster Housing Commission, Inkster, Michigan, as of and for the year ended December 31, 2005, and have issued my report thereon dated August 4, 2006. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Inkster Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards; see the findings and questioned cost section of this audit report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Inkster Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note instances in financial reporting which may be considered weaknesses that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

August 4, 2006

Summary of Auditor's Results:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Housing Assistance Programs	X	
Capital Projects Funds	X	
Emergency Food & Shelter Program		X

Non Compliance material to financial statements noted	Yes	X	No
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The Auditee did qualify as a low risk auditee.

Schedule of Findings and Questioned Cost- continued

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number .</u>
Low Rent Public Housing	Yes	None	05-1
Housing Assistance Programs	Yes	None	N/A
Capital Projects Funds	Yes	None	N/A
Emergency Food & Shelter Program	No	None	05-2

INKSTER HOUSING COMMISSION
Schedule of Findings, Recommendations and Replies
December 31, 2005

The following finding of the Inkster Housing Commission, for the year ended December 31, 2005, were discussed with the Director, Mr. Tony Love, in an exit interview conducted August 4, 2006.

Finding 05-1: Tenant Accounting Discrepancies-Low Rent Program

Low Rent Public Housing, 23 files tested:

7 files were re-examined late

2 files did not contain community service exemption forms

Recommendation

The Annual contributions Contract and, Admissions and Continued Occupancy Policy requires tenant information be re-examined annually; 7 files were late with their annual re-examinations by several months.

HUD requires eligible tenants to either work or do community service; a form to describe eligibility is required to be completed by the resident annually. Two files did not have the required form- it is unknown if the tenants were exempt.

I recommend the Commission correct the above findings and continue to monitor the tenant accounting area to insure compliance.

Reply

The preliminary paperwork for processing third-party verifications are started 120 days out- this includes but not limited to: employment, DHS, medical, childcare, bank, etc. Once a resident appointment is scheduled (usually 90 days out) most of the verifications have been received. The only verifications that are needed then are due to changes in family incomes or families compositions. Setting appointments this far in advance insures that if the resident does not comply with the scheduled appointment the process of filing them in court for non-compliance is initiated.

The Community Service Exemption Certification questionnaire is now part of the re-certification package that the residents fill out at the time of their Annual and/or Interim Reviews. These forms are then placed in the residents' file folders.

Finding 05-2: Food & Shelter Grant Discrepancies.

An Emergency Food and Shelter grant was awarded to the Commission; it called for certain utility reimbursements be granted to eligible recipients- the Commission was over paying claims and had to repay the excess payments.

Recommendation

The grant involved paying approved utility bills for eligible recipients; the Commission paid several bills which were not authorized by the grant- a review by the awarding agency revealed the error. The Commission had to return the excess payments to the agency.

This is a relatively small grant, however, a second year of funding has already been awarded; I recommend the Commission review requirements of all grants and implement procedures to insure compliance.

Reply

A list of participants, who are requesting that their utilities be paid, is sent to the local DTE for verification that the amount requested of payment has an outstanding late balance before the requisition is submitted for payment in order to prevent this type of error from occurring again. A letter from the Emergency Food and Shelter Program dated July 28, 2006 cleared us of the above discrepancies and is on file in our offices.